

Message Text

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SUBJECT: TIN CONFERENCE PROGRESS REPORT NUMBER TWO

REF: GENEVA 3884

1. SUMMARY: ECONOMIC AND ADMINISTRATIVE COMMITTEES HAVE COMPLETED FIRST READING OF DRAFT TIN AGREEMENT. HOWEVER, THERE WAS LITTLE CONSENSUS ON ANY BUT MINOR PROCEDURAL PROVISIONS, AND DISCUSSIONS AND PROPOSED AMENDMENTS SHOWED SUCH WIDE DIFFERENCES OF VIEWS THAT IT WAS GENERALLY REGARDED AS FRUITLESS FOR THESE COMMITTEES TO PROCEED DIRECTLY INTO A SECOND READING. MOVES WERE THEREFORE UNDER WAY TO ESTABLISH WORKING PARTIES TO DEAL WITH SPECIFIC KEY ISSUES AND DISCUSSIONS ARE GOING FORWARD TO ESTABLISH THE NUMBER, COMPOSITION AND TERMS OF REFERENCES OF SUCH WORKING PARTIES. EC WANTS TO SPEAK WITH ONE VOICE BUT SEEMS TO BE IN TOTAL DISARRAY. THIS, AND PRODUCER EFFORTS TO SHAPE FIFTH

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AGREEMENT INTO INSTRUMENT OF NIEO, PROMPTED U.S. STATEMENT

CLEARLY SETTING FORTH U.S. POSITIONS. END SUMMARY.

2. COMPLETION OF FIRST READING OF DRAFT AGREEMENT HAS
REVEALED FOLLOWING VIEWPOINTS ON MAJOR ISSUES:

BUFFER STOCKS AND FINANCING (ARTICLES 20-24).
WITHOUT EXCEPTION, PRODUCERS ARE PRESSING CASE FOR
ENLARGED BUFFER STOCK AND COMPULSORY CONSUMER CONTRIBUTIONS.
INDONESIAN PROPOSAL FOR DOUBLING BUFFER STOCK TO 40,000
TONS IS FIGURE MOST OFTEN QUOTED. PRODUCERS (LED BY
INDONESIA AND MALAYSIA) VIEW COMPULSORY CONSUMER
FINANCING AS EQUITABLE AND JUST AND IMPLY THAT, IF NOT
FORTHCOMING, THEIR OWN NEEDS AS PRODUCERS MAY BE
ADEQUATELY SAFEGUARDED BY EXPORT CONTROLS AND/OR FLOOR
PRICE ADJUSTMENTS. FROM SUCH INDIRECT STATEMENT, SOME
CONSUMERS, I.E. CANADA AND U.K., SEE THREAT IF
BUFFER STOCK FINANCING ISSUE NOT RESOLVED, PRODUCERS
WILL NOT ACCEPT THE STATUS QUO AND WILL NO LONGER BE
INTERESTED IN AN AGREEMENT. OTHER CONSUMERS BELIEVE
PRODUCERS DO NOT WANT TO SCUTTLE EXISTING MECHANISM
TO MAINTAIN CONTINUING DIALOGUE WITH CONSUMERS
THROUGH TIN COUNCIL.
THUS THERE IS NO CONSUMER CONSENSUS ON BUFFER STOCK
FINANCING ISSUE--PARTICULARLY ON TACTICS TO FOLLOW. THE
E.C. IS WOEFULLY UNPREPARED WITH THE U.K., SUGGESTING
A "LEVY ON TIN TRADE" TO FINANCE AN ENLARGED BUFFER
STOCK, FRANCE, AND HOLLAND WILLING TO ACCEPT A
COMPULSORY CONTRIBUTION, AND GERMANY AND JAPAN OPPOSED.
ALTHOUGH ITSELF DIVIDED ON THE ISSUE, THE EC HAS
PROPOSAL FOR ESTABLISHMENT OF A SMALL CONSUMER/PRODUCER
WORKING PARTY ON THIS ITEM, RATHER THAN TRYING TO
RESOLVE IT IN THE FULL ECONOMIC COMMITTEE.

3. PRICE RANGES FOR BUFFER STOCK OPERATIONS (ARTICLES
1, 9, 27, AND 28). LENGTHY DISCUSSION REVOLVED AROUND
CRITERIA FOR AND FREQUENCY OF REVISION OF PRICE RANGES
BY THE COUNCIL, SECTORAL DIVISION OF PRICE RANGE, AND
CURRENCY IN WHICH EXPRESSED.
LED BY INDONESIA, PRODUCERS HAVE SOUGHT AMENDMENTS
REQUIRING PERIODIC MEETINGS BY COUNCIL TO "REVIEW"
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FLOOR/CEILING PRICES, WITH MUCH CONFUSION ABOUT REVIEW
AND REVISION. YET TONE PRODUCER COMMENTS CLEARLY
REFLECTED UNDERLYING MOTIVE IS TO PROVIDE IMPETUS MORE
FREQUENT PRICE REVISION BY COUNCIL. MALAYSIA NOTED
LIMITED NUMBER OF PRICE CHANGES IN PAST AND SAID FLOOR
PRICES MUST BE "COST ORIENTED." BOLIVIA URGED ADOPTION
AS A CONSUMER "COMMITMENT" TO LOOK AT PRICES PERIODICALLY.
THERE WAS ALSO PRODUCER SENTIMENT FOR BUFFER STOCK

OPERATIONS IN THE MIDDLE PRICE SECTOR. U.S. DEL NOTED

PRICE CHANGES SHOULD AIM AT CORRECTING MARKET DISTORTIONS NOT AT SETTING MARKET PRICES. WHILE CONSUMERS AND PRODUCERS WERE DIVIDED ON CURRENCY IN WHICH PRICE RANGE SHOULD BE EXPRESSED (4TH AGREEMENT LEAVES CURRENCY TO BE DECIDED AD HOC BY COUNCIL), THERE WAS GENERAL CONSUMER CONSENSUS ON WISDOM OF FLEXIBILITY IN COUNCIL ACTIONS.

4. VOTING ARRANGEMENTS (ARTICLES 24(B), 27). PRODUCERS PRESSED IN DISCUSSIONS OF THESE AND OTHER ARTICLES FOR AMENDMENTS SEEKING COUNCIL DECISIONS ON BASIS EITHER SIMPLE MAJORITY OR SIMPLE DISTRIBUTIVE MAJORITY (RATHER THAN 2/3 DISTRIBUTIVE MAJORITY AS NOW). THIS WAS UNANIMOUSLY OPPOSED BY CONSUMERS AND U.S. BOTH IN FLOOR DISCUSSION AND IN EXECUTIVE COMMITTEE STATEMENT (SEE BELOW) MADE CLEAR CHANGES FROM PRESENT RULE, WHICH WOULD DESTROY CONSUMER/PRODUCER BALANCE IN ITC, WOULD DIM PROSPECTS FOR FUTURE U.S. ACCEPTANCE OF AGREEMENT.

5. EXPORT CONTROLS (ARTICLES 22-39, ANNEXES A, C, D, E, F). PRODUCERS REVEALED DIFFERING VIEWS CONCERNING THE CIRCUMSTANCES OF INTRODUCTION OF CONTROLS AND THE BASIS FOR DETERMINING TOTAL PERMISSIBLE EXPORT TONNAGES. MALAYSIA NOTED CONSUMERS SHOULD TAKE ON OBLIGATIONS TO RESTRICT EXPORTS ALSO AND THIS LED TO DISCUSSION ON U.S. STOCKPILE DISPOSAL PROGRAM. U.S. DEL OUTLINED FEATURES PROGRAM AND DEFENDED U.S. DISPOSAL POLICY AS CONSISTENT WITH TIN AGREEMENT OBJECTIVES. WE NOTED ARTICLE 43 (REQUIRING PRIOR CONSULTATION WITH COUNCIL ON DISPOSAL NON-COMMERCIAL STOCKS) GIVES NO PROBLEM TO U.S. AS U.S. PRESENTLY ENGAGES IN SIMILAR CONSULTATIONS BILATERALLY IN CONNECTION GSA DISPOSAL PROGRAMS. BOLIVIA THANKED U.S. LIMITED OFFICIAL USE

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DEL FOR EXPLANATION AND NOTED ARTICLE 43 WAS IN TIN AGREEMENT ONLY TO ACCOMMODATE POSSIBLE U.S. MEMBERSHIP.

6. ACTION IN EVENT OF TIN SHORTAGE (ARTICLE 40). CONSUMERS WERE INTERESTED IN STRENGTHENING THIS ARTICLE TO BETTER DEFINE COUNCIL'S RESPONSIBILITIES AND OPERATIVE PROCEDURES. THE EC UNDERTOOK TO PREPARE A DRAFT AMENDMENT WHICH WOULD ALSO EXPAND RESEARCH RESPONSIBILITIES (ARTICLE 9) AND LINK FORECASTS RESULTING FROM SUCH RESEARCH TO POSSIBLE COUNCIL ACTIONS.

7. EC BEHAVIOR AT CONFERENCE. THROUGHOUT THIS CONFERENCE, EC HAS BEEN IN COMPLETE DISARRAY ON MATTERS OF POLICY. ONLY ON QUESTION OF TIN SHORTAGE, HAS EC STAFF BEEN GIVEN RESPONSIBILITY FOR SETTING POLICY. EC

WAFFLING ON ALL MAJOR ISSUES BROUGHT CONSUMER CAUCUS TO
STANDSTILL AND LED PRODUCERS INITIALLY TO ANTICIPATE
EASY VICTORY FOR THEIR PROPOSALS.
THESE DEVELOPMENTS PROMPTED U.S. DEL TO EMERGE FROM LOW
VISIBILITY SCREEN BY DELIVERING STATEMENT FOR THE
RECORD AT EXECUTIVE COMMITTEE MEETING MAY 29. STATEMENT
EXPRESSES HOPE FOR CONFERENCE OUTCOME AND AGREEMENT WHICH
COULD BE RECOMMENDED TO GOVERNMENT, BUT GOES ON TO EXPRESS
CONCERNS OVER PRODUCER PROPOSALS ON CERTAIN KEY ISSUES.
BY SPELLING OUT PARAMETER OF U.S. POLICY ON
CRUCIAL ISSUES SUCH AS BUFFER STOCK AND VOTING
ARRANGEMENTS U.S. STATEMENT (TIMED IN ADVANCE EC
PRIVATE CAUCUS) WAS AIMED AT CRYSTALLIZATION OF CONSUMER
VIEWS FAVORABLE TO U.S. LIKEWISE, U.S. FELT PRODUCERS
NEED CLEAR AND CANDID STATEMENT ON U.S. POLICIES RE TIN
AGREEMENT IN ORDER THAT THEY UNDERSTAND LIKELY EFFECT ON
U.S. ACCEPTANCE OF AGREEMENT OF APPARENT DRIFT TOWARD
G-77 ATTITUDES. TEXT U.S. STATEMENT FOLLOWS SEPTTEL (NOTAL)

8. ADNAN AFFAIR. AD HOC INVESTIGATIVE COMMITTEE
NOW HAS SEVEN CONSUMER MEMBERS WITH ADDITION OF SPAIN
AND DENMARK. EXPECTATION IS THAT COMMITTEE WILL TRY TO
KEEP ISSUE BURIED UNTIL AFTER CONCLUSION OF CONFERENCE.
PRODUCERS SUGGESTED THAT UNCTAD SECRETARIAT APPOINT ADNAN
AS SPECIAL ADVISOR AND HAVE HIM CONDUCT SEMINAR ON
OPERATION OF BUFFER STOCK. SECRETARIAT WISELY DECLINED
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AND SEMINAR WAS CONDUCTED BY ALLEN. ALLEN IS EXTREMELY
DISCOURAGED ABOUT PICTURE OF ITC AND ABOUT HIS OWN
PROSPECTS OF BEING ABLE TO WORK WITH COUNCIL WHOSE
MEMBERS HAVE GIVEN HIM SO LITTLE SUPPORT IN THIS AFFAIR.
DALE

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